

## **The Pivot of Organisational Transformation - The HR Professional**

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### **INTRODUCTION**

Facing increasingly fierce competition, more demanding customers, greater economic and financial pressures; organisations today must improve product, reduce costs, improve service level and meet customer requirements in time. In order to survive, they need to respond quickly to the emerging market opportunities and adapt themselves to the market changes. This means complex and quick interaction to transform the organisation according to the emerging needs. This multi-layered process involves various change levers, many of which are possible alternatives to achieve the desired goals.

Organisational transformation is a whole paradigm of activities like redefining re-engineering and re-designing the business system. The changing economic environment, leading to the fast emerging trend of mergers and acquisitions has rapidly changed the business model in three major ways. Number one, organisations continually need to be flexible, effective and efficient. Number two, they must be customer-centered. Number three, every organisation must recognize its current strength to create a more productive environment.

Organisation transformation is a change in the way that all the components of an organisation interact in order to deliver on a strategy. It is a programme with the express purpose of establishing capability building plans and implementing them via organisational transformation levers.

This transformation can be of three kinds:

1. Improving the existing system: Here, the aim is to achieve improvement in the organisation through its efficiency by reducing cost, improving quality, improving service level and improving productivity.
2. Strategic transformation: Where the aim is to formulate strategy to gain competitive advantage by redefining business objectives and harnessing the present strengths of the organisation.
3. Self Renewal: the aim is to remove any gap between strategy and operation during the transformation process.

A comprehensive organisational transformation model includes the following:

- It builds on embedded culture and values, established through the strategy, implemented in its organisational blueprint, and supported by processes, interfaces, and IT systems
- It embraces the entire talent management cycle, including:
- Competency-based personnel recruitment, assignment, planning and development
- Frequent and individual performance evaluation with consequent management of poor performance and reward of excellent performance

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- All-inclusive development means (on the job, off the job, near the job)
- Professional exit process based on the culture of "second chance"
- The ability to flex through project work, e.g. organisational transformation, business transformation, change management and communication initiatives. These should not be viewed as ad-hoc activities, but levers to enforce values and strategy via organisational transformation levers like planning (found in the first ring in the wheel above), execution (found in the second ring in the wheel above) and support (found in the third ring of the wheel above) processes
- Supported by HR departments, but with significant execution by the business.

Is HR transformation successful? In many companies, HR professionals are reluctant to give up administrative HR roles in the belief that administrative functions have an important role linked to the business. Outsourcing also has its own drawbacks. HR professionals who depend on outsourcing procedures often fail to define HR roles adequately enough. Instead of delivering new kind of values, they simply keep a check on the outsourcing activities. In addition, transformation often takes so long that business units lose faith that HR really has anything to offer.

The experience of an HR executive in an MNC (name and details withheld) is a case in point. This HR Professional had outsourced HR services and these were being delivered well and efficiently, removing basic HR administrative responsibilities from his general scope of control. But the road map he had laid out for transforming the retained HR organisation was a long one. He was using competency modeling for workforces and to put new governance structures in place. The plan was sound, but the results were too long in coming, so the business units resisted making such changes without assurance of tangible business outcomes.

## **HR TRANSFORMATION**

Many attempts at HR effectiveness start without defining value. For example, some companies invest in e-HR services such as portals and online employee services and believe that they have transformed HR, but they have not. While e-HR may be part of an overall transformation, it is merely a way to deliver HR administrative services. HR transformation must change the way employees think about HR's role in delivering value to customers, shareholders, managers and employees and not just about how HR services are delivered and administered.

Moving towards service centers, centers of expertise, or outsourcing does not mean that HR has been transformed. If new delivery mechanisms provide basically the same old HR services, the function has changed but not transformed itself. HR transformation changes both behavior and output. The changes must improve life for key stakeholders in ways that they are willing to pay for. Changing any single HR practice (staffing, training, appraisal, teamwork, and upward communication) does not create a transformation. Unless the entire array of HR practices collectively adds value for key stakeholders, transformation has not occurred. Transformation requires integrating the various HR practices and focusing them jointly on value added agendas such as intangibles, customer connection, organisation capabilities and individual abilities.

Sending one or two HR professionals to a seminar does not transform an HR department. Often, people return from training with great ideas but little opportunity to apply them. Transformation requires a holistic change across agendas, thoughts and processes in the entire department, not just on the part of a few individuals.

Finally, gaining credibility and acceptance by management or employees is not transformation. Doing so may be a good stepping-stone to future work, but real transformation must turn relationships into results and also create value for customers, shareholders, managers and employees. Fundamental transformation of HR starts with a definition of HR value: who the receivers are and a clear statement of what they will receive from HR services. It also requires a complete picture of all the elements of HR transformation, so that piecemeal attempts do not remain isolated events.

Since value is defined by the receiver, not the giver, any value proposition begins with a focus on receivers, not givers. For HR professionals, the value premise means that rather than imposing their beliefs, goals and actions on others, they first need to be open to what others want. This fundamental principle is too often overlooked. Often, HR professionals have beliefs, goals and actions that translate into things that they want to have happen in their organisation- so they go straight for their desired results, without paying enough attention to the perspectives of others. The open hand of 'open to give and open to receive' is essential here. Influence with impact occurs when HR professionals start with the beliefs and goals of the receivers. Who are the key stakeholders he must serve? What are the goals and values of the receiving stakeholders? What is important to them? What do they want? When these issues are fully understood, then the HR professional can show how an investment in an HR practice will help the stakeholder gain value as defined by that stakeholder. To an employee worried about getting laid off, HR professionals should demonstrate that being more productive will help the employee stay employed. To a line manager worried about reaching strategic goals, HR professionals need to show how investment in HR work will help deliver business results. With customers, HR professionals need to remember that their interest in customers must create value in the products or services customers receive. For shareholders who are worried about shared returns and growth, HR must create organisations that deliver results today and intangibles that give owners confidence that results will be delivered in the future.

Starting HR transformation with a value proposition has six important implications for an HR professional. These are as follows:

1. Be a business partner: HR professionals long to be business partners but, have they really transformed to be so? For example, a key wealth creator for a garment manufacturer is the garment designer. In an oil exploration company, it is the petroleum geologist who is the wealth creator. These key wealth creators can readily show how their activities create substantial value for key stakeholders. Their line of sight runs directly to the best interests of customers, investors, managers and employees. To be real - not declared - business partners, HR professionals need the same kind of line of sight between their activities and the best interests of key stakeholders. The HR value proposition offers this line of sight.

2. Create line of sight for external customers: The ultimate resources of business reside in market places that companies serve. These markets include customers who buy products and shareholders who provide capital. Since business begins by meeting market demands, HR must also begin with a line of sight to the market place. The line of sight of HR professionals to internal customers is important and generally well understood, but the one to external customers and shareholders typically receives less attention. Knowledge of external business issues matters because external realities ultimately determine the relevance and utility of virtually all internal operations. External constituents who compose markets for products, services and capital ultimately vote with their money on virtually everything that occurs in a firm. These realities determine whether an HR is successful in creating human abilities and organisational capabilities that generate products, services and results that customer and capital markets demand. These professionals must have knowledge of external business realities before they can frame, execute and create substantive value through even the most basic of HR agendas.
3. Source of competitive advantage: Competitive advantage is when the company is able to do something unique that competitors cannot copy. Anything which is done better than the competitor is valued by the customers, employees and stakeholders. The role is to inspire customers to buy your products and hence improve the top line of the organisation. R&D managers create competitive advantage when they create the products that customers buy. Similarly, marketing managers create competitive advantage when they advertise the products to inspire customers to buy them. HR managers also create competitive advantage by creating value by which the products are bought by the customers. They can create human abilities and organisational capabilities that are better than competitors which ultimately force customers to reach for their wallets
4. Align practices with the requirements of stakeholders: The gap between Managements perception and ground reality can lead to disastrous results. The HR professional can align all practices to abolish this gap. They may conduct surveys to determine the actual customer perception and align the company's policies to satisfy their needs. When this is successful, the HR creates value as defined by the stakeholders. The potential influence of the HR professional is huge when value is created after aligning the practices with accurate perceptions of the ultimate resources of the organisation's value and collaborating with others inside the organisation.
5. Acquire knowledge and skill to link HR activity to stakeholders' value: HR manager must show that HR policies add value to the things that are of value to the individual within the organisation. When the linkage between the HR activities and stakeholders demand fails, it allows 'noise' to occur; and this means a gap in communication. 'Noise' maybe lack of knowledge of external customers and shareholders, business strategy or new HR processes.
6. View key stakeholders from a unique and powerful perspective: For a manufacturing professional, unique and powerful prospective is product quality, product attributes, product cost and the like but when a marketing manager looks at the same product, she is likely to see the product attributes, product cost, service requirements and customers demand. Although the two prospective are compatible, they have little overlap. Both are unique and powerful.

HR professionals need a perspective that is compatible with and distinct from other business perspectives. While they must be able to understand and value the finance and sales perspectives, they must also add their own point of view. Without such a unique and powerful perspective, they are redundant and fail in their aspirations as full business contributors. For example, an HR perspective that is both unique and powerful is one that establishes the linkages between employee commitment, customer attitudes and investor returns. This unique view demonstrates a powerful connection between what is carried out by managers and employees inside the firm and what happens with customers and investors on the outside. With a unique and powerful perspective of their own, HR professionals will see aspects of the business environment that go beyond what other business disciplines bring and that adds substantially to business success. Thus, when HR professionals view the market environment, they should address the following questions:

First, what are the organisational capabilities that the company must have to create products and services that result in our customers taking money out of their wallets and putting it into ours instead of giving it to our competitors?

Second, what employee abilities do our people need so that they can understand and respond to short-term market demands?

Third, how do we invest in HR practices that deliver business results?

Fourth, how do we organize HR activities to deliver maximum value?

Fifth, how do we create an HR strategy that sets an agenda for HR's role in the success of our company succeed?

Sixth, how do we ensure that HR professionals will know what to do and have the skills to do it?

When HR professionals respond to these questions, they will know why others would benefit by listening to them, because they will be delivering real value, and they will know what that value is. When HR professionals begin with the receiver in mind, they can more quickly emerge as full strategic contributors and greater value for key stakeholders (customers, investors, line managers and employees), enhance business productivity, achieve measurable and valuable results, create sustainable competitive advantage and add more value to their careers.

### **Blue print of HR value proposition**

Fig 1 shows the framework of the HR value proposition and its components such as external business realities, external and internal stakeholders, HR practices that add value, building HR strategy and roles for HR professionals

External realities and stakeholders' interest determines why HR matters to the organisation and why HR needs to focus on what it delivers more than on what it does. HR practices, HR resources and HR professionals are the elements that encompass HR function within the organisation.

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## **External Business Realities**

*To what extent do the HR professionals must understand the impact of external realities of technology, economics and demographics on industry and business in the global context?*

HR PROFESSIONALS and their stakeholders have too frequently operated in separate worlds. However, to create value, you have to know what value is and value is defined more by the receiver than the giver. That means HR professionals must learn to help their stakeholders address the issue that matter most to them. They must, therefore, understand the fundamental external business realities that shape industries and companies. The realities that influence business may be grouped under three headings:

- Workforce demographics
- Technology
- Economic and regulatory issues

The fourth factor, globalization, cuts across and influences the other three. To maintain their credibility, HR professionals must know the trends in each of these areas, the facts behind the trends, and where these facts may be accessed. Assembling this pool of information requires constant awareness of the world. Knowledge of external realities isn't something to be accomplished once and ticked off on a to-do-list. Instead it's essential to ask and keep asking four questions: What are the important trends for each of these realities? What are the key data points that illustrate these trends? What do I need to know about these trends in order to contribute to management team discussions? Where can I find this information?

### **Workforce Demographics**

Workforce demographics that influence the pool of labor available to conceive, develop, produce, distribute and sell products and services are changing in turbulent ways. Demographics likewise directly influence the demand for types and volumes of products and services. HR manager need a grasp of basic global and domestic demographic trends and at the strategy table, they also need to have specific data to back up their assertions regarding these trends.

### **Technology**

Technology or the application of knowledge to the transformation of things into other things drives almost every aspect of the changing business environment. As applied to organisational processes, technology may be used to automate transactions in HR finance, sales, legal, operations and purchasing. Technology enhances engineering and design processes and moves goods efficiently and accurately through the manufacturing process. It can also be applied to the design of new products or services. HR manager cannot ignore technology either in their own operations or in those that affect the organisations they serve. Depending on the industry in which they work, they must be able to understand how people create new technologies that keep their firms ahead of the competition. They may also need to understand how to apply existing technology to new applications.



The spiraling growth in connectivity has profound implications for organisations and for HR. Technology enables “people to act together in new ways in situations where collective action was not possible before”. New blocks of customers, suppliers, employees and owners can form overnight. Called smart mobs, these groups can mobilize themselves to undercut pricing, raise product and service standards, communicate satisfaction or dissatisfaction, and impose substantial pressures on their target organisations. People with major complaints about products and services, companies, and politicians create Web sites that allow them to access large scale audiences; thereby mobilizing collective action that otherwise would not have been possible.

### **What do HR Professionals need to know about Technology?**

To contribute to management team discussions about technology, HR professionals need a knowledge base about the current technological possibilities and a general vision about the future role that technology might play in their firms. With this knowledge, they will be able to add value to strategic discussions that involve technology, understand the dynamics that influence their key constituents and align strategies and practices to these constituents needs in a timely and accurate manner.

### **Economic and Regulatory issues:**

Economic and regulatory environments provide the context for business operations. They are frequently the precursors to changes in the expectations of customers, shareholders, managers and employees. If HR professionals are to contribute business decisions, they must know where to go to learn the basic trends in these areas. They must have data about these factors and they must be able to use this knowledge in providing intellectual richness to strategic business discussions.

### **Economic factors:**

Many economists project that the world economy will continue to grow but will become more volatile in coming years, with periods of rapid improvement followed by periods of rapid decline. Several trends predict prospects for sustainable global economic growth.

The collective knowledge and skill level of workers continues to increase on a global scale. The population of highly skilled workers in India is high and rising. The flexibility of workforce is one of the primary strengths of a country’s economy. India is experiencing strong growth in labor productivity. Productivity is a major driver of the economic growth for any country including India.

### **Regulatory Factors:**

Ask any HR managers if they believe the world is becoming more or less regulated and the response will probably be that the world is becoming more regulated. It certainly feels that way, especially in the light of legislation about the environment, discrimination, harassment, privacy, board composition, whistle blowing and so on and on. HR professionals must understand this massive worldwide trend toward deregulation and the implications of this trend in order to add value at the strategy table. Otherwise, they may be tempted to overemphasize regulatory matters.

HR departments have traditionally been among the most regulated, they are heavily involved in dozens of major legal issues that must be addressed if the company is to focus on issues more germane to its competitiveness. Despite unprecedented deregulation, important regulatory forces are still active. HR professionals as contributing members of the strategy team must be aware of these forces; the Sarbanes Oxley Act, for example, as well as efforts to rein in the mutual fund industry to ensure ethical practices. In addition to these large scale business-focused regulatory matters, HR professionals will continue to remain the caretakers of more traditional HR-related legal issues.

### **Business realities and HR responses**

In today's fast-changing world, it is imperative that HR professionals be "at the table". This requires more than simple familiarity with HR issues or internal operations; it requires knowledge about the driving forces that shape the fundamental nature of business. For credibility, HR professionals must not only understand the logic of the external trends, they must also have data to back up their positions and must know where to find such data. The key areas that frame much of today's business realities include technology, economic trends, demographics, and the global environment in which each of these exist. With this knowledge foundation, HR professionals are prepared to begin the discussions about customers, shareholders, management and employees.

### **External stakeholders**

*To what extent does our HR work link to the intangibles that investors value? To what extent do we use HR practices to build long-term connections with target customers?*

Imagine this: Dr. Singh returns from an HR conference full of ideas for a new initiative, assembles a task force and implements the program company wide. After some initial resistance, the program becomes part of the way HR does its work. Dr Singh declares victory. Sounds good idea, doesn't it? When one tells this kind of tale, people tend to snort and say "Nothing ever goes that smoothly". True, but even if it did, would it be a success story? And the answer one gets is generally yes.

It is not. Dr Singh's adventure is an ideal case of a false positive, something that sounds successful but is at best incomplete. The success of an HR initiative should be measured not by how well its design and implementation go but by what the initiative does for the organisation's key stakeholders. HR actions create value only when they create a sustainable competitive advantage.

In a boundary-less and border-less world, what happens inside an organisation, HR included, must connect with what goes on outside. Changes in HR can help create employee commitment, which in turn creates customer commitment, which in turn boosts financial results. This finding has been replicated in many companies and industries (Sears, GTE, Cardinal Health and IBM). Internal focus may lead to efficiency but not effectiveness. McDonald's may continuously improve its production of hamburgers and French fries, but all the efficiency in the world will



not create competitive advantage for hamburgers and French fries if consumers are shifting toward healthier food.

HR work should likewise be judged, in part at least, by the outcomes it creates for external stakeholders. By creating a line of sight from its practices to external stakeholders, HR makes itself more relevant. HR professionals who look outside first can then tailor their actions to results that matter to two primary external stakeholders, investors and customers.

### **Investors and HR**

Investors ultimately care about total shareholder return or market value. HR professionals can take six actions to link their work to stakeholder value:

1. Become investor-literate
2. Understand the importance of intangibles.
3. Create HR practices that increase intangible value.
4. Highlight the importance of intangible value total shareholder return.
5. Design and deliver intangible audits.
6. Align HR practices and investors requirements.

In taking these six actions, HR professionals move out of their comfort zone and partner with other staff experts. For example, in linking organisation actions to investor results, HR teams up with those in investor relations to prepare materials for the investor community. When they invite investors to participate in HR practices, they need to understand investor expectations and show that investor understanding of HR practices will help investors make more informed investment decisions. Weaving HR into investor relations starts with becoming 'investor-literate', so that those in investor relations trust the HR professional to engage appropriately with investors.

### **HR Practices and Customer Value Proposition**

The best HR practices are the ones designed to meet the needs of customers and ensure that they have a positive experience. That is, HR needs to make sure that the firm's employee selection, development, reward and communication programs all work to encourage the skills needed for customer satisfaction. Such HR practices will build customer loyalty overtime.

### **Target Customers and HR Practices**

Commitment often follows action. By including targeted customers in HR practices, HR professionals can increase customer commitment to the firm. This effect is so powerful that it hardly matters what the content of the performance appraisal is as long as customers are involved in designing and administering it. Likewise, the content of training pales in importance beside the response if customers are doing the teaching or are in the room when training occurs. Many HR professionals are finding creative ways to include customers in HR practices.

An airline attempting to make flying more fun screens flight attendant resumes, and then invites job finalists to audition interviewees in front of a panel of frequent fliers. A restaurant selecting a chef invites target customers to taste the selections of the finalists and to offer their vote on which chef they would prefer. A hospital invites physicians, third-party payers and investors to

interview potential administrators. A jewellery manufacturer invites customers to an all-expenses paid visit to its primary production unit. Observing teachers teach and soliciting data from students in the class helps boost the quality of teachers hired. Asking customers to define competencies of first-line supervisors creates a dialogue about what matters most to customers and how that translates into internal managerial behavior

### **Internal Stakeholders**

*To what extent do they audit and create organisation capabilities that will convert strategy into action?*

*To what extent do they have a clear employee value proposition that lays out what is expected of employees and what they get in return?*

HR earns its spurs by providing deliverables, not just possibilities. That's a major reversal for most firms, where HR requirements tend to look like chores to the rest of the organisation rather than things that add value. Measuring activities (possibilities) is often easier than measuring outcomes (deliverables). It is easier to calculate the percentage of managers who received forty hours of training than to track the impact of that training on managerial performance. But outcomes are what ultimately determine value and they can become as tangible and as measurable as the activities.

Internal stakeholder outcomes take the form of organisation capability and individual ability. Capability represents the identity and reputation of the organisation while ability the competence, skill and know-how of employees. Employees focus most of their attention on enhancing their personal abilities, but still need to use and help build organisation capabilities. Senior managers, in contrast, must build organisational capabilities but must also cultivate personal abilities. HR investments produce deliverables when they develop both capability and ability.

### **HR helps Line Managers Build Organisation Capability**

HR professionals and line managers have always talked together, but their topics have shifted dramatically over the last seventy years. When HR functions began in the 1930s, conversations focused on terms and conditions of employee contracts. Industrial relations professionals would talk to line managers about policies governing employee behavior and strategies for implementing these policies with unions. As the HR field evolved, personnel specialists began talking with the line managers about how to design and deliver HR practices like staffing, training, appraisal and compensation. Lately, HR partners have begun to engage line managers in aligning HR practices with business strategies and goals, thus moving from the practices themselves to ways to help the managers achieve business goals. This evolution is far from linear; many of the original conversations continue. For example, employees still have terms and conditions of work, now often cloaked in what we call the "employee value proposition", and employees are still rated and paid according to a process now often called "performance management". But more and more, conversations with your line manager will be on how business leaders can reach their goals.

**Focus on Outcomes**

Beware the lure of the 'Do something, anything, just do it' mentality. Even to skeptical line managers, new HR programs may sound interesting, promise much and engender hope. It's easy to fall prey to the pleasure of talking about activities and forget about the outcomes of those activities. HR professionals sometimes spend more time deciding who will speak on the third morning of a five-day executive program than on the results that program or module should deliver. Avoid getting so lost in details that you lose sight of what your practices are creating for investors and customers as well as for the organisation and its employees.

**Leadership**

Organisations that produce leaders generally have a leadership brand, a clear statement of what leaders should know, be, do and deliver. HR professionals are uniquely well placed to help current leadership produce the next generation of leaders by establishing the leadership brand, assessing the gaps in the present leadership against this brand, and investing in future leaders.

**Flow of Performance Management:**

Without doubt, incentives change behavior, inevitably, people do what they are rewarded for and leaders get what they reward, but not always what they expect. Without clear standards, measured against expected results and linked to the rewards people want, employee behavior may seem very strange. On the other hand, when standards and incentives are aligned with company goals, the goals generally come within reach. For example, 3M makes innovation a goal, and it ties meaningful financial and nonfinancial rewards to a vitality index, i.e., the percentage of revenue from products introduced in the last five years. The clarity of this index encourages experimentation, risk taking and sharing of ideas.

**HR practices that add Value**

*To what extent do HR practices that focus  
on information (outside-in and inside-out) add value?*

*To what extent do HR practices that focus on work flow (who does the work,  
how is the work done, and where is the work done) add value?*

**Flow of information**

Information is the stuff organisations are made of, by which they function and through which they prosper or fail. Information permits a company to identify and meet the demands of competitive markets, creates company value in the eyes of customers and shareholders and enables a company to function within the ethical parameters of its communities. Through information, organisations share goals, craft strategies, make decisions and integrate behaviors. Information enables innovation to proceed, change to occur, service and quality to improve, costs to stay under control and productivity to increase. It determines who has influence over which issues and who does not, giving meaning and direction to work and purpose to the lives of managers and employees alike.

### **Theory of the flow of information**

The flow of information drives the flow of value. Investors, customers, line managers and employees all value the organisation based on what they know about it, either from observation and personal experience or from reading and listening. And since first hand information is frequently limited to relatively small subsets of stakeholders, it behooves the organisation to make sure the word spreads.

The more an organisation can do to make sure information passes smoothly to the places where people can use it, the better off it will be. And since information is much of what creates culture, organisations that create and sustain an effective culture manage information effectively. Thereby, employees clearly understand the importance of their work to customers and to the organisation as a whole.

### **Communication strategy**

1. Ensure consistency between messages and reality.
2. Select media consistent with message and audience
3. Know and speak to your audience
4. Ensure integration and alignment
5. Establish accountability
6. Measure and improve communication effectiveness

### **Menus for information and work flow**

For any company, information and work flow represent an intrinsic part of the value proposition. They have great influence on organisational capabilities and determine much of the human experience at work. Many HR professionals are beginning to add value to these areas. Now is the time for them to expand their roles by contributing even more to these important emerging HR activities.

### **Building an HR Strategy**

*To what extent does HR strategy process turn business goals into HR priorities?*

The strategy recognizes that HR's primary deliverable is organisational capability and that the central aspect of organisational capability is organisational culture, the collective mindset of the company. Collective mindset is defined as shared ways of thinking or shared cognitive patterns that have two powerful outcomes; one, it shapes the way people behave and two, it determines what information people will accept, interpret accurately and adopt as useful knowledge.

One powerful definition of culture is, therefore, the shared ways of thinking that determine how people both inside and outside the firm collectively behave and what information they collectively accept and use. If the culture of a firm cannot accurately perceive and interpret its environment like the requirements of its customers, investors and regulators, the technological alternatives it faces, the moves its competitors make and effectively translate those perceptions and interpretations into employee behaviors, it will have great difficulty staying in business.

## **Framework**

The framework logic flow begins with a clear understanding of trends in the external business environment; among customers, investors, regulators, competitors, technology and globalization that shape the present and future external realities the firm faces. Then it makes a clear statement of the firm's sources of competitive advantage and their accompanying measurements. These insights make it possible to define the organisational culture required to implement the competitive strategy and promote success within the environmental context. It is then possible to design HR practices that will create the required cultural capabilities.

For example, a company's past can be a source of noise. The culture that brought success in the past may not be right for the future. Union leaders can be a source of noise if they say, 'Pay attention to me first. If there's time and money left over, then focus on customers'. Consultants insert noise when they say, 'Buy what I have to sell because this is what I have to sell'.

## **Defining culture**

In recent years, companies have become more sophisticated about defining culture. They have come to recognize that they can't try to do everything. In cultural audits, one almost always finds that a firm is best off with no more than two or three cultural targets or pillars. It makes sense, after all, how many major messages can a company send and internalize over a year or two? The answer is rarely more than three. Beyond that, the more cultural attributes a firm tries to create, the less likely it is to succeed. Firms are also defining their cultural attributes in more rigorous and competitive ways. Some examples:

- Disciplined risk taking (Deutsche Bank)
- Restless creativity (Unilever)
- Teams passionate about winning (AstraZeneca)
- Resourceful agility (BAE Systems)
- Customer-focused innovation (Texas Instruments)

It's essential to define the culture to support and sustain the chosen sources of competitive advantage and improve company results.

## **Roles for HR Professionals**

To what extent do HR professionals play employee advocate, human capital developer, functional expert, strategic partner and leadership roles?

Value is defined by the receiver more than the giver. But the giver has to know what value is and when and how to create it. In terms of HR work, this translates into mastery of certain roles and competencies. Roles define what work must be done; competencies define how work is done. HR professionals are employee advocates, charged with making sure the employer-employee relationship is one of reciprocal value. Besides advocating for employees today, they build the future workforce as human capital developers. They are also functional experts, designing and delivering HR practices that ensure individual ability and create organisation capability. As strategic partners, they help line managers at all levels reach their goals. And to tie it all together, they must be genuine leaders: credible both within their HR functions and for those outside.

In conclusion, I assert that a fundamental transformation of HR requires addressing the entire logic stream. It is a four phase process that includes theory, assessment, investment and follow-up. This will enable to transform HR function by adding greater value. Theory gives a blueprint for overall HR system in the organisation and criteria for effectiveness. Assessment enables to determine how performance holds out against effectiveness criteria. Investment suggests what can be done to improve the function. Follow up ensures that things get done.

Given the technological, economic, regulatory and demographic realities of our global world, HR insights have been pushed to the forefront of business success. Leading thinkers, well-respected firms and outstanding executives converge on issues central to HR. Good to great companies - firms with reputations as a best place to work and leaders in the management hall of fame all exist because people and organisation practices have come together at the right time in the right place to do the right thing. Now more than ever, business success comes from HR. And the 'DNA' for HR success is the HR Value Proposition. With this value proposition, the HR profession has a point of view about what can be and should be for all stakeholders, a set of standards directing HR investments in strategy, structure, and practices and a template for ensuring that each HR professional contributes. The HR Value Proposition is the blueprint for the future of HR.



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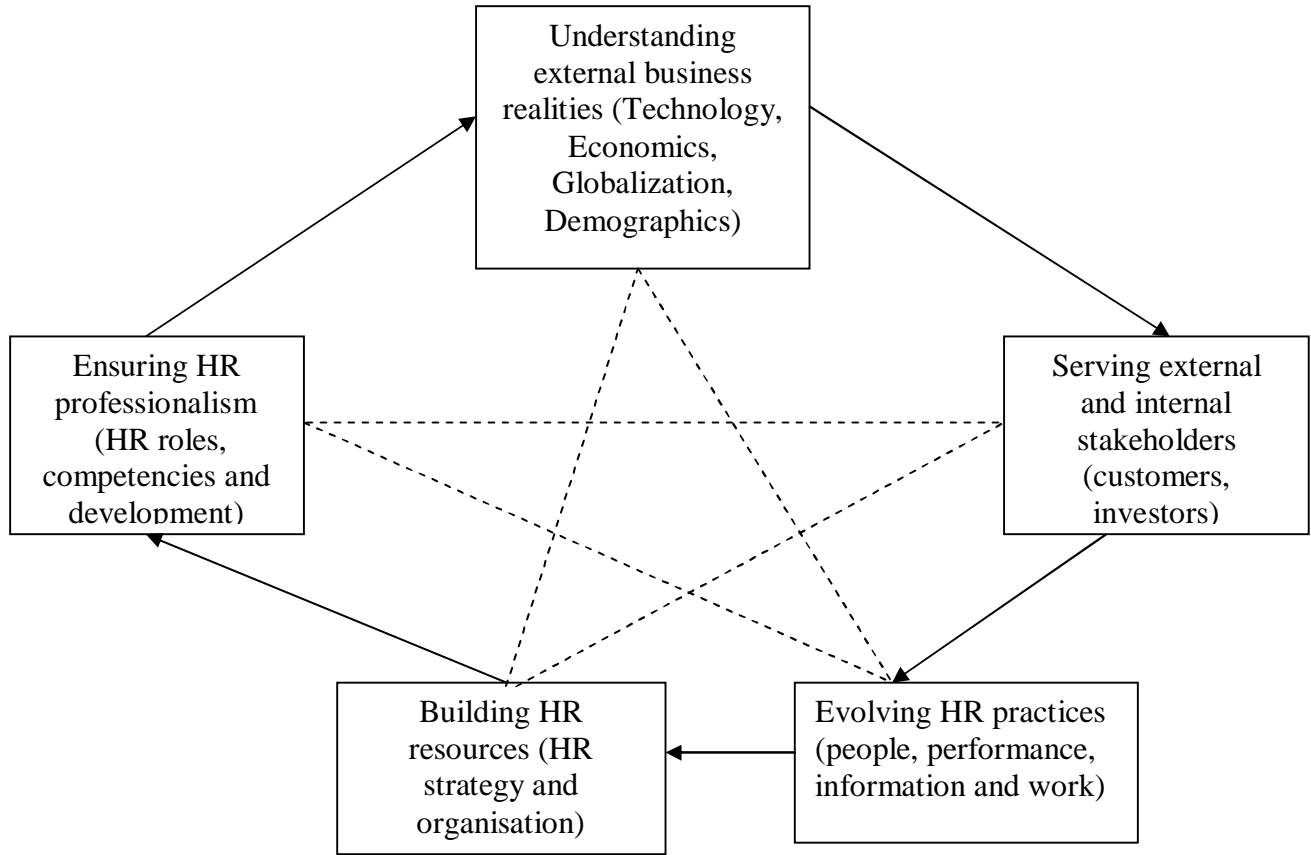
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## The HR value proposition



**Fig 1**